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**UNITED STATES BANKRUPTCY COURT
NORTHERN DISTRICT OF CALIFORNIA
SAN FRANCISCO DIVISION**

In re:

PG&E CORPORATION,

- and -

**PACIFIC GAS AND ELECTRIC
COMPANY,**

Debtors.

- ☐ Affects PG&E Corporation
☐ Affects Pacific Gas and Electric
Company
☒ Affects both Debtors

** All papers shall be filed in the Lead Case,
No. 19-30088 (DM).*

Bankruptcy Case
No. 19-30088 (DM)
Chapter 11
(Lead Case)(Jointly Administered)

**SUPPLEMENTAL APPLICATION OF
DEBTORS PURSUANT TO 11 U.S.C. §§ 327(a)
AND 328(a) AND FED. R. BANKR. P. 2014(a)
AND 2016 AMENDING THE SCOPE OF THE
RETENTION OF KPMG LLP AS
INFORMATION TECHNOLOGY, RISK, AND
LEGAL SUPPORT CONSULTANTS TO THE
DEBTORS EFFECTIVE *NUNC PRO TUNC* TO
APRIL 8, 2019**

[No Hearing Date Requested]

1 PG&E Corporation (“**PG&E Corp.**”) and Pacific Gas and Electric Company (the “**Utility**”), as
2 debtors and debtors in possession (collectively, “**PG&E**” or the “**Debtors**”) in the above-captioned
3 chapter 11 cases (the “**Chapter 11 Cases**”), hereby submit this supplemental application (the
4 “**Supplemental Application**”), pursuant to sections 327(a) and 328(a) of title 11 of the United States
5 Code (the “**Bankruptcy Code**”) and Rules 2014(a) and 2016 of the Federal Rules of Bankruptcy
6 Procedure (the “**Bankruptcy Rules**”), for entry of an order amending the scope of the Debtors’ retention
7 of KPMG LLP (“**KPMG**”) as information technology, risk, and legal support consultants for the Debtors
8 effective as of the Petition Date (as defined below).

9 In support of this Supplemental Application, the Debtors submit the Supplemental Declaration
10 of Geno Armstrong, a principal of KPMG LLP (the “**Supplemental Armstrong Declaration**”), filed
11 concurrently herewith. A proposed form of order approving the amended scope of the retention and
12 employment of KPMG is annexed hereto as **Exhibit A** (the “**Proposed Order**”).
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MEMORANDUM OF POINTS AND AUTHORITIES

I. JURISDICTION

The Court has jurisdiction to consider this matter pursuant to 28 U.S.C. §§ 157 and 1334, the *Order Referring Bankruptcy Cases and Proceedings to Bankruptcy Judges*, General Order 24 (N.D. Cal.), and Rule 5011-1(a) of the Bankruptcy Local Rules for the United States District Court for the Northern District of California (the “**Bankruptcy Local Rules**”). This is a core proceeding pursuant to 28 U.S.C. § 157(b). Venue is proper before the Court pursuant to 28 U.S.C. §§ 1408 and 1409.

II. BACKGROUND

On January 29, 2019 (the “**Petition Date**”), the Debtors commenced with the Court voluntary cases under chapter 11 of the Bankruptcy Code. The Debtors continue to operate their businesses and manage their properties as debtors in possession pursuant to sections 1107(a) and 1108 of the Bankruptcy Code. No trustee or examiner has been appointed in either of the Chapter 11 Cases. The Debtors’ Chapter 11 Cases are being jointly administered for procedural purposes only pursuant to Bankruptcy Rule 1015(b).

On February 12, 2019, the United States Trustee (the “**U.S. Trustee**”) appointed an Official Committee of Unsecured Creditors (the “**Creditors Committee**”). On February 15, 2019, the U.S. Trustee appointed an Official Committee of Tort Claimants (the “**Tort Claimants Committee**” and, together with the Creditors Committee, the “**Committees**”).

Additional information regarding the circumstances leading to the commencement of the Chapter 11 Cases and information regarding the Debtors’ businesses and capital structure is set forth in the *Amended Declaration of Jason P. Wells in Support of the First Day Motions and Related Relief* [Docket No. 263] (the “**Wells Declaration**”).

On May 21, 2019, the Debtors filed the *Application Pursuant to 11 U.S.C. §§ 327(a) and 328(a), Fed. R. Bankr. P. 2014(a) and 2016 for Authority to Employ and Retain KPMG LLP as Information Technology, Risk and Legal Support Consultants to the Debtors Nunc Pro Tunc to Petition Date* [Docket No. 2171] (the “**KPMG Retention Application**”).¹ The KPMG Retention Application sought the entry of an order authorizing the Debtors to retain KPMG as consultants for the Debtors effective as of the

¹ Capitalized terms used herein but not otherwise defined shall have the meanings ascribed to them in the KPMG Retention Application.

1 Petition Date in accordance with the terms and conditions set forth in the engagement agreements
2 (the “**Original Engagements**”). On June 14, 2019, the Court entered an order approving the retention
3 of KPMG [Docket No. 2503] (the “**Initial KPMG Retention Order**”).

4 As described in greater detail in the Supplemental Armstrong Declaration, following the Petition
5 Date, the terms of certain of the Original Engagements expired and the Debtors have requested that
6 KPMG (a) continue to work on such Original Engagements and (b) undertake several entirely new
7 projects in connection with the Chapter 11 Cases that are consistent with KPMG’s core capabilities and
8 expertise (collectively, the “**Supplemental MSA Contracts**”). The Supplemental MSA Contracts will
9 be performed in accordance with the terms and conditions more specifically set forth in that certain
10 Master Services Agreement dated as of January 17, 2017, together with the change order dated as of
11 November 20, 2018 (both attached as **Exhibit 1-A** to the Original Armstrong Declaration) and the
12 extension dated as of June 10, 2019 (attached to the Supplemental Armstrong Declaration as
13 **Exhibit 1-I**). The Debtors submit this Supplemental Application for entry of an order authorizing the
14 Debtors to retain KPMG to provide services in accordance with the Supplemental MSA Contracts, the
15 terms of which are described below.

16 **III. SCOPE OF SUPPLEMENTAL SERVICES**

17 Pursuant to the terms and conditions of the Supplemental MSA Contracts, the Debtors seek to
18 retain KPMG to provide, among other things, the following continued and supplemental information
19 technology and risk advisory services, as requested by the Debtors as summarized herein.²

20 In an effort to ensure continued and uninterrupted provision to the Debtors of necessary services,
21 KPMG and the Debtors entered into agreements for several Supplemental MSA Contracts described in
22 greater detail below, recognizing that such agreements would ultimately need to be approved by the
23 Court upon supplemental application. KPMG will provide additional information technology, risk, and
24 consulting services to the Debtors including, without limitation, the following services as more
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26 ² The summary of the Supplemental MSA Contracts included in this Supplemental Application is
27 provided for purposes of convenience only and is qualified in its entirety by reference to the
28 Supplemental MSA Contracts. To the extent that this Supplemental Application and the terms of
particular Supplemental MSA Contracts are inconsistent, the terms of the Supplemental MSA Contracts
shall control.

1 particularly described in the applicable designated agreements:

- 2 a) Continue to assist the Debtors with their migration from Siteminder to Ping
3 (information technology software platforms) (the “**IT Software Services – Phase**
4 **II**”) as described in **Exhibit 1-J** to the Supplemental Armstrong Declaration),
5 including a change order to extend services to the Debtors by 17 weeks (the “**IT**
6 **Software Services – Phase III**) as described in **Exhibit 1-K** to the Supplemental
7 Armstrong Declaration);
- 8 b) Perform an analysis of the Quanta Service Inc. payment applications related to the
9 performance of construction management services, which have been submitted to
10 the Debtors (the “**Quanta Invoice Review**”, as described in **Exhibit 1-L** to the
11 Supplemental Armstrong Declaration).
- 12 c) Assist with the Debtors’ Endpoint Security Strategy Assessment and development
13 of a plan to implement changes to that strategy (the “**Endpoint Security Strategy**
14 **Assessment**”), as described in **Exhibit 1-M** to the Supplemental Armstrong
15 Declaration);
- 16 d) Provide the Debtors with staff members to support the Debtors’ personnel with
17 respect to their security initiatives (the “**Data Security Loan-Staff Services**”, as
18 described in **Exhibit 1-N** to the Supplemental Armstrong Declaration);
- 19 e) Provide tax and accounting advice in response to inquiries from the Debtors (the
20 “**Tax and Accounting On-Call Services**”, as described in **Exhibit 1-O** to the
21 Supplemental Armstrong Declaration);
- 22 f) Assist the Debtors’ Cybersecurity Risk and Strategy organization in performing
23 scanning and data protection, including providing on-premise structured data
24 repositories (the “**Data Security Services**”, as described in **Exhibit 1-P** to the
25 Supplemental Armstrong Declaration);
- 26 g) Assist Debtors’ Cybersecurity Risk and Strategy organization in performing data
27 protection activities as they relate to CCPA compliance activities (the “**Data**
28 **Security CCPA Support Staff**”, as described in **Exhibit 1-Q** to the Supplemental
Armstrong Declaration);
- h) Assist the Debtors in analyzing payments to certain authorities related to notices
of violation for non-conformance with encroachment permit requirements (the
“**Permitting Spend Analysis**” as described in the two agreements included as
Exhibit 1-S to the Supplemental Armstrong Declaration);
- i) Continue to support Debtors’ internal counsel in connection with Debtors’
development of certain aspects of its transmission, distribution and substation
inspection programs (the “**Asset Management Services – Change Order 1**”
including a change order to extend the scope as described in **Exhibit 1-R** to the
Supplemental Armstrong Declaration); and
- j) Continue to support the Debtors’ internal counsel in connection with Debtors’
development of certain aspects of its transmission, distribution and substation
inspection programs, in relation to repair work (the “**Asset Management Services**
– **Change Order 2**” including a change order to extend the scope as described in
Exhibit 1-T to the Supplemental Armstrong Declaration).

IV. PROFESSIONAL COMPENSATION

As set forth in the Supplemental Armstrong Declaration, KPMG will apply to the Court for allowances and reimbursement of expenses in accordance with the applicable provisions of the Bankruptcy Code, the Bankruptcy Rules, the Bankruptcy Local Rules, the *United States Bankruptcy Court Northern District of California Guidelines for Compensation and Expense Reimbursement of Professionals and Trustees*, effective February 19, 2014 (the “**Local Guidelines**”), the U.S. *Trustee Guidelines for Reviewing Applications for Compensation and Reimbursement of Expenses Filed under 11 U.S.C. § 330 by Attorneys in Larger Chapter 11 Cases*, effective November 1, 2013 (the “**U.S. Trustee Guidelines**,” and together with the Local Guidelines, the “**Fee Guidelines**”), the *Order Pursuant to 11 U.S.C. §§ 331 and 105(a) and Fed. R. Bankr. P. 2016 for Authority to Establish Procedures for Interim Compensation and Reimbursement of Expenses of Professionals* [Docket No. 701], and any further Orders of the Court in these Chapter 11 Cases regarding professional compensation and reimbursement of expenses (the “**Orders**”).

Subject to the provisions of the Bankruptcy Code, the Bankruptcy Rules, the Bankruptcy Local Rules, the Fee Guidelines, and the Orders, the Debtors propose to compensate KPMG as contemplated in the Supplemental MSA Contracts on either an hourly or fixed-fee basis, as designated below. The proposed compensation arrangements for the Supplemental MSA Contracts are as follows:

A. Fixed Fee Arrangements:

The Debtors and KPMG have agreed to fixed-fee compensation for the Data Security Services and Endpoint Security Strategy Assessment. Payment of the fixed fee is dependent on an iterative process by which stages of the project go through a formal review, including a detailed walkthrough, modifications (if required) and formal acceptance. In addition, the fee estimates are based on the assumption that the Debtors will provide the information and assistance necessary for KPMG to complete each assignment.

Services	Fixed-Fee Amount	Fees Paid Prepetition	Fees Sought Postpetition
Endpoint Security Strategy Assessment	\$172,500.00 ³	\$0	\$172,500
Data Security Services	\$2,705,013.50	\$0	\$2,705,013.50

³ The fixed-fee amount is capped at \$150,000. Expenses are capped at \$22,500.

1 **B. Hourly Arrangements:**

2 The hourly rates set forth below are KPMG's applicable hourly rates for the work of its
3 professionals and staff members to be provided to the Debtors other than with respect to the fixed fee
4 engagements described above. These hourly rates reflect KPMG's normal and customary billing
5 practices for engagements of this complexity and magnitude. KPMG's hourly rates are subject to
6 periodic adjustment and/or increase from time to time in accordance with KPMG's established billing
7 practices and procedures. The Debtors have agreed to compensate KPMG for professional services
8 rendered at its normal and customary hourly rates, subject to the reductions discussed below. To the
9 extent such hourly rates are increased, KPMG will provide reasonable notice of any changes to its hourly
10 rates to the Debtors and the U.S. Trustee.

Billing Category	IT Software Services – Phase II/III ⁴	Quanta Invoice Review ⁵	Data Security Loan Staff ⁶	Tax and Accounting On-Call Services ⁷	Data Security CCPA Support Staff ⁸	Permitting Spend Analysis ⁹	Asset Management Services - Change Order 1/II ¹⁰
Partner / Managing Director	N/A	\$500/\$475	N/A	\$850	N/A	\$625	\$500/\$475
Director	N/A	\$435	N/A	\$750	N/A	\$550	\$435
Manager	N/A	\$400	\$224	\$620	\$224	\$475	\$400
Senior Associate	\$225	\$325	N/A	\$525	N/A	\$425	\$325
Associate	N/A	\$275	N/A	N/A	\$135	\$325	\$275
Paraprofessional	N/A	\$235	N/A	N/A	N/A	N/A	N/A

Additionally, KPMG will invoice the Debtors for its reasonable out-of-pocket expenses charged during these Chapter 11 Cases, which include, among other things, telephone and other charges, mail and express mail charges, travel expenses, expenses for “working meals” and computerized research, applicable sales, use or value-added tax, as well as non-ordinary costs such as secretarial and other overtime.

⁴ The majority of fees to be charged in the IT Software Services engagement reflect a reduction of approximately 70% - 74% from KPMG’s normal and customary rates, depending on the types of services to be rendered. Fees are billed to a cap of \$635,085 (inclusive of a \$57,735 cap on expenses). A rate of \$225 per hour was included for Lead Specialist in the Original Armstrong Declaration, **Exhibit 1-E**.

⁵ The majority of fees to be charged for the Quanta Invoice Review reflect a reduction of approximately 39% -56% from KPMG’s normal and customary rates, depending on the types of services to be rendered and the services are billed at a cap of \$207,900 (inclusive of a \$18,900 cap on expenses). The specific hourly rates do not appear in the Supplemental MSA Contract.

⁶ The majority of fees to be charged for the Data Security Loan Staff reflect a reduction of approximately 75% from KPMG’s normal and customary rates, depending on the types of services to be rendered and the services are billed at a cap of \$262,528.

⁷ The majority of fees to be charged for the Tax and Accounting On-Call Services reflect a reduction of approximately 24%-36% from KPMG’s normal and customary rates, depending on the types of services to be rendered and the services are billed at a cap of \$90,000.

⁸ The majority of fees to be charged for the CCPA Loan Staff reflect a reduction of approximately 51%-75% from KPMG’s normal and customary rates, depending on the types of services to be rendered and the services are billed at a cap of \$219,584 (inclusive of a \$40,000 cap on expenses).

⁹ The majority of fees to be charged for the Permitting Spend Analysis reflect a reduction of approximately 10% - 44% from KPMG’s normal and customary rates. The services for the initial phase of the project are billed at a cap of \$335,019 (inclusive of a \$24,769 cap on expenses), and the services for the second phase of the project are billed at a cap of \$1,290,000 (inclusive of a \$90,000 cap on expenses).

¹⁰ The majority of fees to be charged for the Asset Management Services reflect a reduction of approximately 39% - 56% from KPMG’s normal and customary rates, depending on the types of services to be rendered and the services are billed at a cap of \$8,805,000.

1 The Debtors understand that it is not the practice of KPMG's professionals to keep detailed time
2 records in one-tenth-of-an-hour increments (*i.e.*, six minute increments) as customarily kept by attorneys
3 who are compensated subject to approval of the Bankruptcy Court. Instead, the customary practice of
4 KPMG's professionals is to keep reasonably detailed records of services rendered during the course of
5 an engagement in half-hour (0.5) increments. Thus, consistent with the KPMG Retention Application,
6 KPMG requests that this Court allow KPMG's professionals to provide the following in its monthly,
7 interim, and final fee applications: (a) a narrative summarizing each project category and the services
8 rendered under each project category; (b) as an exhibit to each monthly, interim, and final fee application
9 that KPMG files in these Chapter 11 Cases, a summary, by project category, of services rendered to the
10 Debtors, which identifies each professional rendering services, the number of hours expended by each
11 professional, and the amount of compensation requested with respect to the services rendered by each
12 professional; and (c) reasonably detailed records of time in half-hour (0.5) increments, describing the
13 services rendered by each professional and the amount of time spent on each date.

14 The Debtors respectfully submit that KPMG's rates and policies stated in the Supplemental
15 Armstrong Declaration are reasonable, particularly given the nature of these Chapter 11 Cases.

16 **V. INDEMNIFICATION**

17 As part of the overall compensation payable to KPMG under the terms of certain of the
18 Supplemental MSA Contracts, the Debtors have agreed to certain indemnification obligations as
19 described in such Supplemental MSA Contracts. The indemnification provisions contained therein were
20 fully negotiated in good faith and at arm's length. During the pendency of the Debtors' Chapter 11
21 Cases, the Debtors seek the modification of the following terms described in the Supplemental MSA
22 Contracts:

- 23 a) KPMG shall not be entitled to indemnification, contribution or reimbursement for
24 services other than those described in the Supplemental MSA Contracts and the
25 Supplemental Application, unless such services and indemnification therefor are
26 approved by the Court;
- 26 b) The Debtors shall have no obligation to indemnify KPMG, or provide
27 contribution or reimbursement to KPMG, for any claim or expense that is either:
28 (i) judicially determined (the determination having become final) to have arisen
from KPMG's bad faith, self-dealing, breach of fiduciary duty (if any such duty
exists), gross negligence or willful misconduct; or (ii) judicially determined (the
determination having become final), based on a breach of KPMG's contractual

obligations to the Debtor; or (iii) settled prior to a judicial determination as to the exclusions set forth in clauses (i) and (ii) immediately above, but determined by the Court, after notice and a hearing to be a claim or expense for which KPMG should not receive indemnity, contribution or reimbursement under the terms of KPMG's retention by the Debtors pursuant to the terms of the Supplemental MSA Contracts and Supplemental Application, as modified by the Proposed Order; and

- c) If, before the earlier of: (i) the entry of an order confirming a chapter 11 plan in these Chapter 11 Cases (that order having become a final order no longer subject to appeal); and (ii) the entry of an order closing these Chapter 11 Cases, KPMG believes that it is entitled to the payment of any amounts by the Debtors on account of the Debtors' indemnification, contribution and/or reimbursement obligations under the Supplemental MSA Contracts (as modified by the Proposed Order) and Supplemental Application, including without limitation the advancement of defense costs, KPMG must file an application therefor in this Court, and the Debtors may not pay any such amounts to KPMG before the entry of an order by this Court approving the payment. This subparagraph (c) is intended only to specify the period of time under which the Court shall have jurisdiction over any request for fees and expenses by KPMG for indemnification, contribution or reimbursement, and not a provision limiting the duration of the Debtors' obligation to indemnify KPMG. All parties in interest shall retain the right to object to any demand by KPMG for indemnification, contribution or reimbursement.

VI. NO DUPLICATION OF SERVICES

The Debtors intend that the services of KPMG will complement, and not duplicate, the services being rendered by other professionals retained in these Chapter 11 Cases. KPMG understands that the Debtors have retained and may retain additional professionals during the term of the engagement.

VII. NOTICE

Notice of this Supplemental Application will be provided to (i) the Office of the U.S. Trustee for Region 17 (Attn: Andrew R. Vara, Esq. and Timothy Laffredi, Esq.); (ii) counsel to the Creditors Committee; (iii) counsel to Tort Claimants Committee; (iv) the Securities and Exchange Commission; (v) the Internal Revenue Service; (vi) the Office of the California Attorney General; (vii) the California Public Utilities Commission; (viii) the Nuclear Regulatory Commission; (ix) the Federal Energy Regulatory Commission; (x) the Office of the United States Attorney for the Northern District of California; (xi) counsel for the agent under the Debtors' debtor in possession financing facility; and (xii) those persons who have formally appeared in these Chapter 11 Cases and requested service pursuant to Bankruptcy Rule 2002. The Debtors respectfully submit that no further notice is required.

No previous request for the relief sought herein has been made by the Debtors to this or any other Court.

1 WHEREFORE the Debtors respectfully request entry of an order granting (i) the relief requested
2 herein as a sound exercise of the Debtors' business judgment and in the best interests of their estates,
3 creditors, shareholders, and all other parties interests, and (ii) such other and further relief as the Court
4 may deem just and appropriate.

5 Dated: November 27, 2019

WEIL, GOTSHAL & MANGES LLP

KELLER & BENVENUTTI LLP

By: /s/ Dara L. Silveira
Dara L. Silveira

*Attorneys for Debtors
and Debtors in Possession*